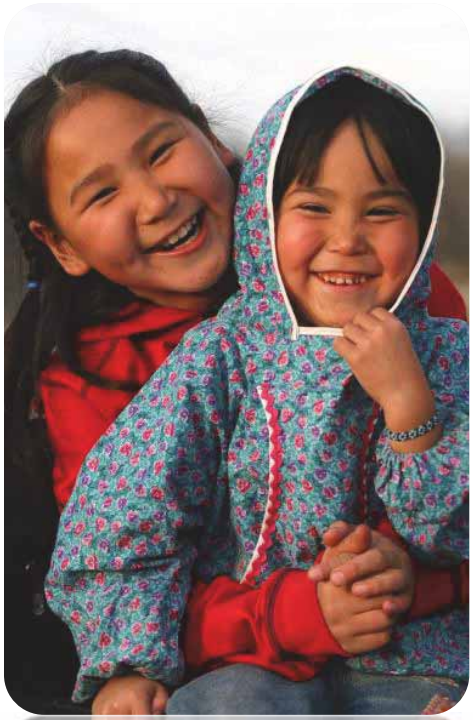
High-Cost USF in Remote Alaska
Freeze, Mature, Retarget



Freeze current support allow the market to **Mature** **Retarget** support where needed

Freeze the $105 Million in current annual Alaska CETC Support

For 5 years, freeze the $78 M in annual *Remote Alaska* CETC support, on a per carrier basis at 2014 support levels with accountability to support mobile service in areas *not* served by AT&T/Verizon LTE

With the remaining $27 M in annual CETC support, conduct a reverse auction for only Alaska communities with *no wireless service*

At the end of 5 years, retarget the $105 M in annual support to maintain and expand service in areas of Alaska where AT&T/Verizon have not deployed LTE

A Nationwide Auction Would Not and Could Not Achieve the FCC's Performance Objectives

The Brattle Group has estimated that the incremental net cost to achieve 768 kbps downstream/256 kbps upstream service for all Alaska communities would be *$260 million per year*.

Alaska CETCs collectively receive *$105 million per year*, reduced from $123 million in 2011.

A nationwide reverse auction for TMF 2 could further drop Alaska CETC support to anywhere from *$5 million to $87 million --*

not nearly enough to reach the FCC's performance objectives.

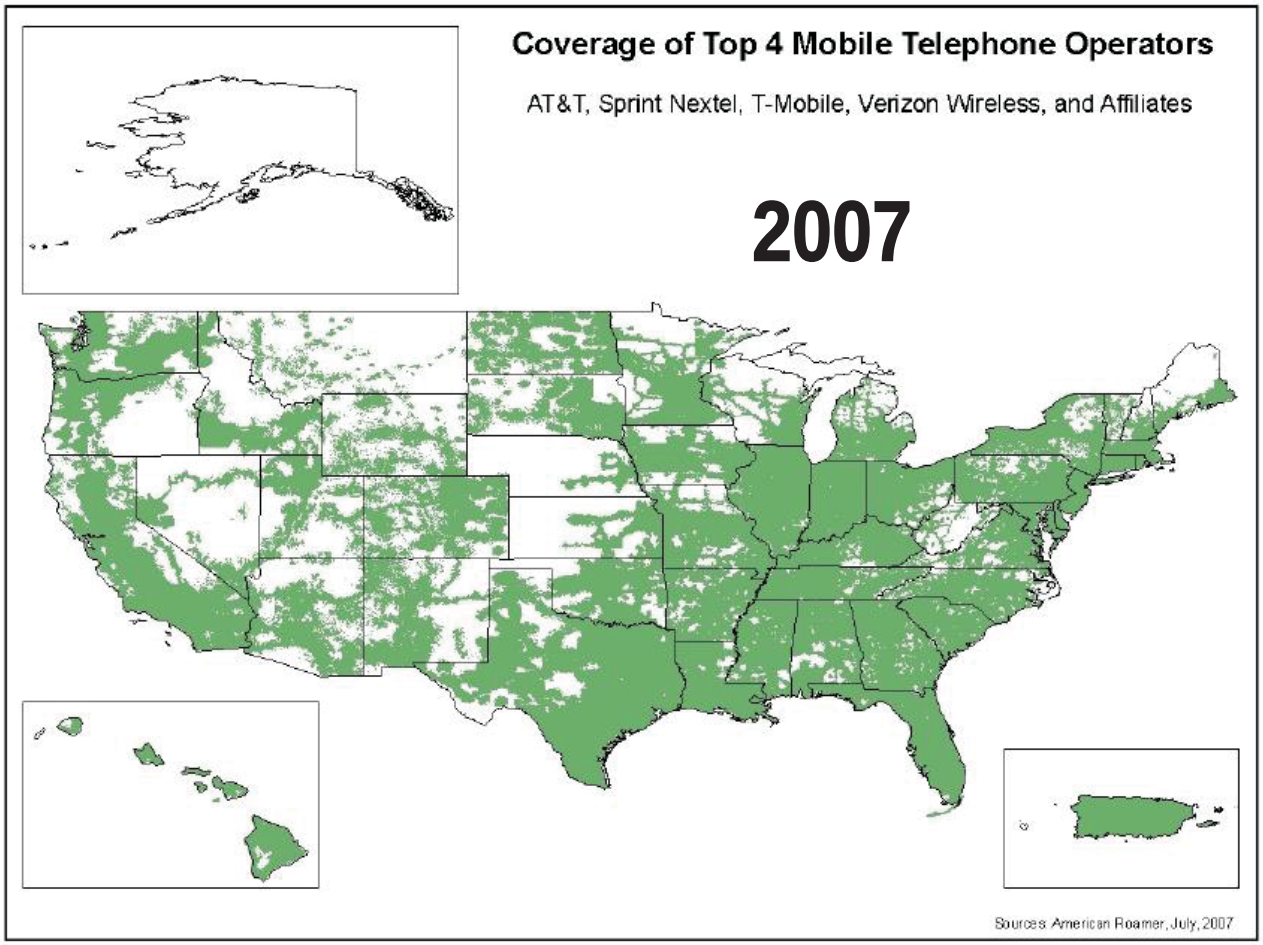
High-Cost Support Remains Necessary to Erase the Wireless Service Deficit in Rural Alaska

National carriers have not met Alaska's *statewide* wireless needs; AT&T and VZW provide LTE service only to areas connected to the State's limited fiber backbone.

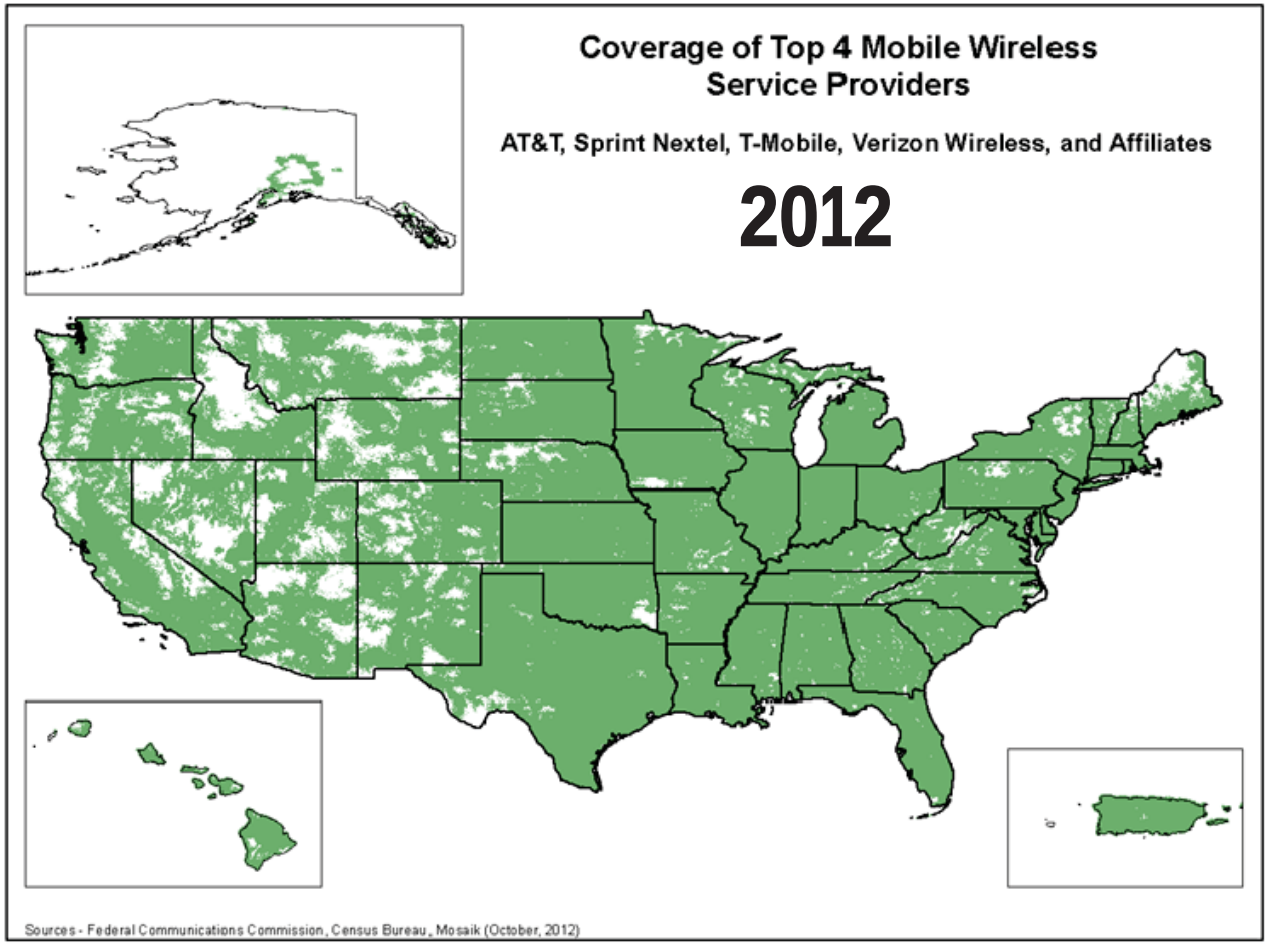
GCI built the only rural *and* urban wireless network, leveraging USF support to access required private financial capital, but rural service continues to lag behind urban Alaska and the contiguous U.S.

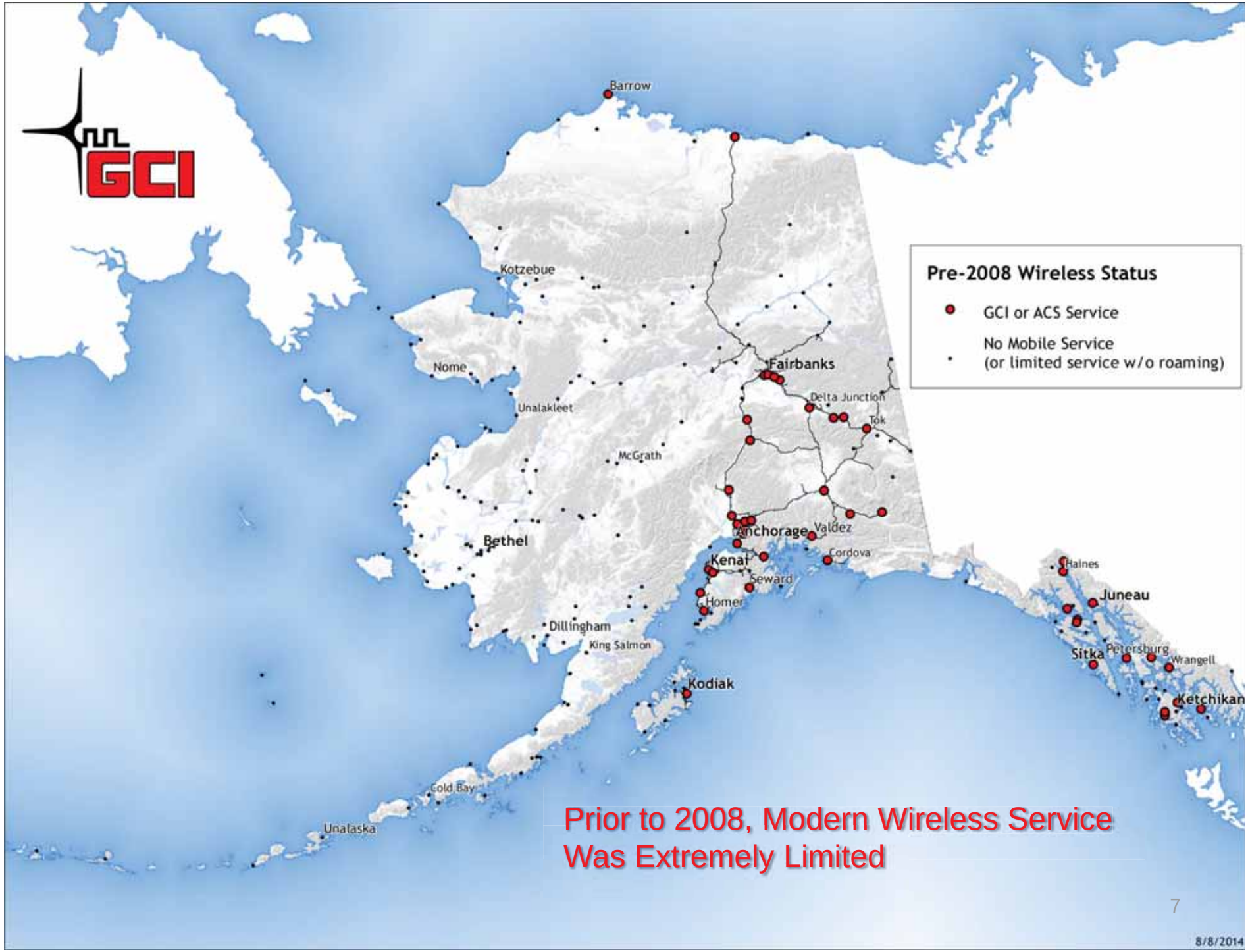
Stable universal service support for Remote Alaska is necessary to meet the FCC's mobile broadband performance targets, to preserve and expand service locations, and to prevent a widening service gap for rural Alaskans.

The National Carriers Were Slow to Reach Alaska...



...And We Cannot Count on Them to Serve Rural Alaska in the Future




Barrow
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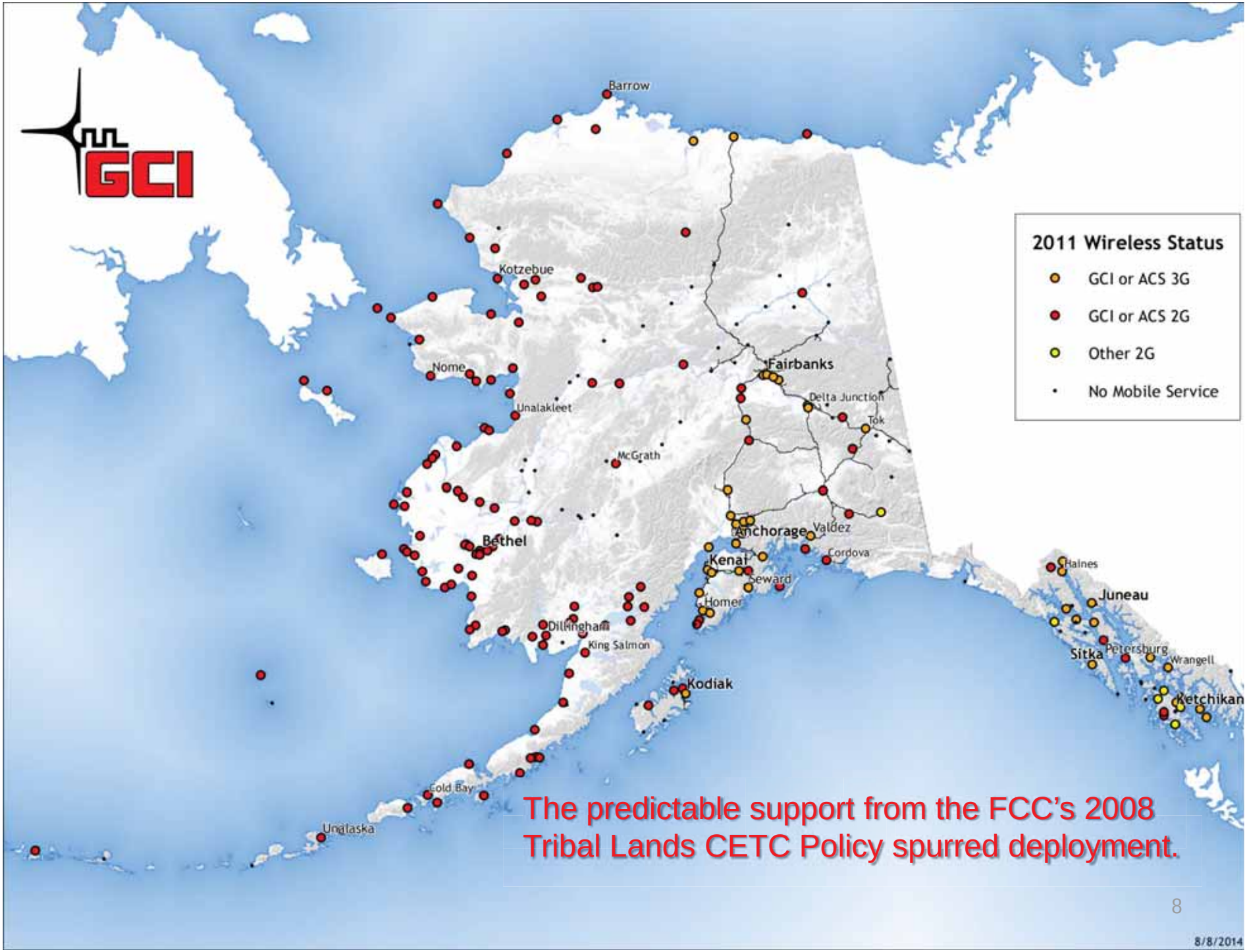
Kenai
Seward
Homer
Dillingham
King Salmon
Kodiak
Cold Bay
Unalaska
Haines
Juneau
Sitka
Petersburg
Wrangell
Ketchikan
Pre-2008 Wireless Status
GCI or ACS Service
No Mobile Service
(or limited service w/o roaming)
Prior to 2008, Modern Wireless Service
Was Extremely Limited
8/8/2014



The predictable support from the FCC's 2008 Tribal Lands CETC Policy spurred deployment.

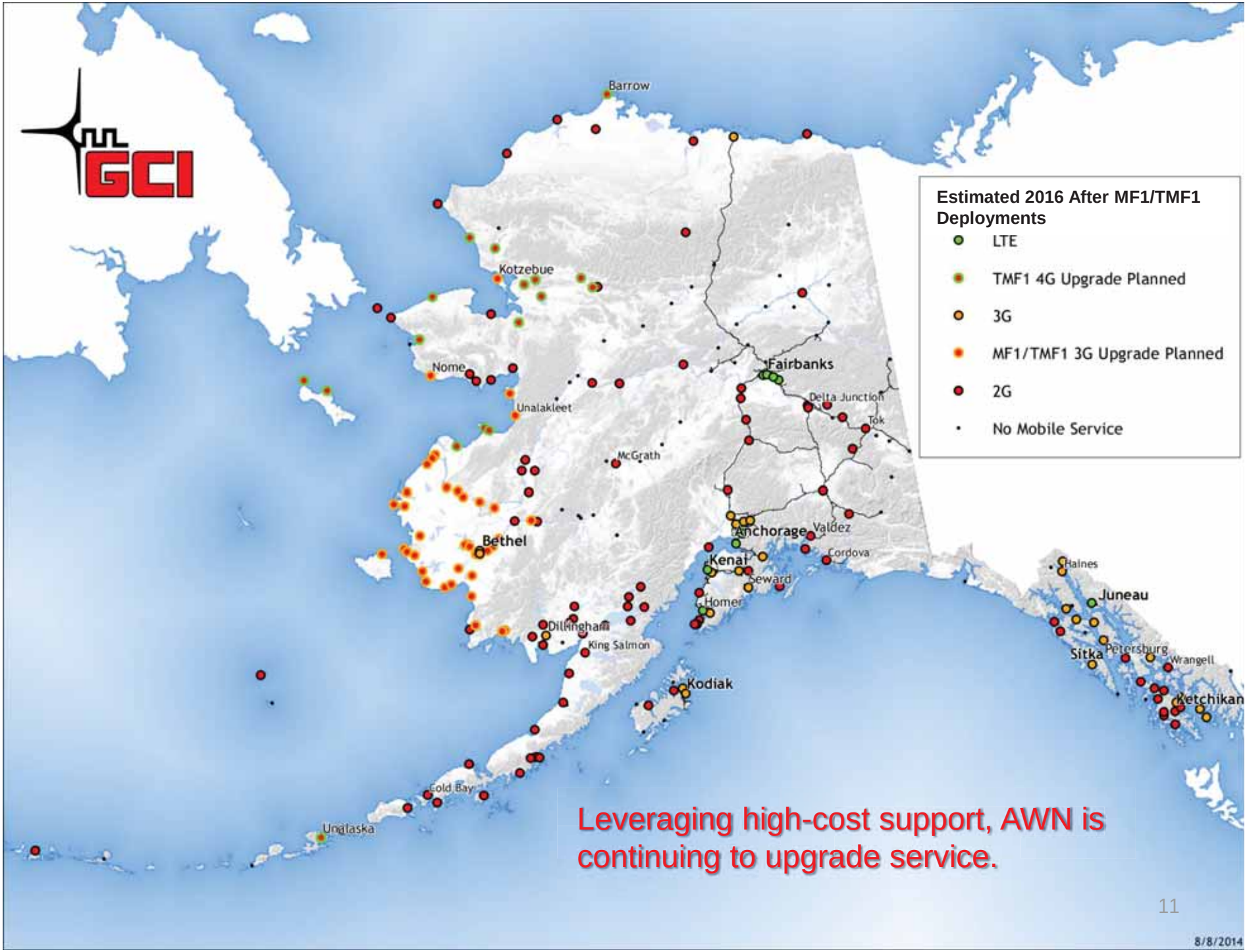
What have we done (with less) since 2011?

Through the Alaska Wireless Network (AWN) combination, we deployed 4G LTE to the most populated, fiber-served road areas.

We had varying success in the MF1/TMF1 auctions, winning bids to upgrade 60 rural communities to 3G or 4G service in areas where we could support the backhaul.

But, recurring support was insufficient to expand service to all but a few unserved locations and will be inadequate to handle increased backhaul demands to many of our served locations.


Current Wireless Status
Where AWN is the Sole 2G or 3G Provider
AWN is the only 3G Provider
AWN is the only 2G Provider
No Mobile Service
Wainwright
Atqasuk
Nuiqsut
Kaktovik
Point Lay
Point Hope
Red Dog Mine
Anaktuvuk Pass
Arctic Village
Wiseman
Venetie
Chalkyitsik
Bettles
Allakaket
Beaver
Hughes
Stevens Village
Circle
Central
Huslia
Livengood
Tanana
Eagle
Minto
Chicken
Dry Creek
Tetlin
Mentasta
Border City
Chisana
Lake Minchumina
Telida
Mcgrath
Nikolai
Nulato
Kaltag
Koyukuk
Ruby
Koyuk
Elim
Golovin
White Mountain
Unalakleet
Saint Michael
Kotlik
Emmonak
Sheldon Point / Nunum Iqua
Alakanuk
Anvik
Shageluk
Holy Cross
Marshall
Hooper Bay
Aniak
Stony River
Sleetmute
Lime Village
Chevak
Newtok
Kalskag
Tuluksak
Tununak
Mekoryuk
Oscarville
Eek
Kipnuk
Tyonek
Cooper Landing
Port Alsworth
Nondalton
Pedro Bay
Chenega Bay
Kokhanok
Port Graham
Platinum
Aleknagik
Dillingham
Portage Creek
Togiak
Klukwan
Excursion Inlet
Hoonah
Cube Cove
Tenakee Springs
Hyder
Port Alexander
Meyers Chuck
Edna Bay
Thorne Bay
Saint Paul
Saint George
Aleneva
Ugashik
Larsen Bay
Old Harbor
Meshik / Port Heiden
Akhiok
Chignik
Nelson Lagoon
Perryville
Chignik Lake
False Pass
Akutan
Atka
Nikolski
AWN is the only Alaska provider with the scale to serve many rural locations that the national providers won't.
8/8/2014



Leveraging high-cost support, AWN is continuing to upgrade service.

Freeze, Mature, Retarget to Move Closer to the FCC's Performance Goals

Provides the five year predictability necessary to facilitate mobile broadband deployment to underserved areas; directly supports mobile voice/broadband service to unserved areas; targets CETC support away from ATT/Verizon LTE areas

Allows the Alaska wireless markets to mature (MF1/TMF1 deployments and AT&T/VZW LTE buildout) and Alaska's middle-mile networks to evolve before deciding how to further retarget support

Simpler to administer; obviates the need for line count updates

During the five years, mobile ETCs held to objective measurable standards to move nearer to the FCC's mobile broadband goals

In the last 10 years, GCI has invested almost $1.4 Billion in Capital

Built subsea fiber optic cables to the Lower 48 to increase capacity, reliability, and redundancy

Built Alaska's first statewide wireless network, providing modern mobile service to many communities for the first time

Built a hybrid fiber/microwave middle-mile network in western Alaska (TERRA), providing the first terrestrial, i.e., non-satellite, broadband alternative to over 38,000 people in 69 locations